



PayPoint

PayPoint plc
Trading update for the three months ended 30 June 2018¹
26 July 2018

FURTHER STRATEGIC AND OPERATIONAL PROGRESS

- Continued progress in roll out of EPoS Pro, our flagship product, in 292 sites at 30 June 2018. Wholesaler links with NISA now live and Booker in pilot programme.
- eBay now added as a second partner to Collect+ network, expected to go live before Christmas.
- Continued addition of new clients onto the platform including a leading UK bank challenger, Tide. MultiPay volumes increased 62.8%.

Dominic Taylor, PayPoint's Chief Executive, commented:

"I am pleased with PayPoint's performance in the first quarter with further progress made in executing our strategic priorities. In parcels we have now added eBay as a partner to our Collect+ network which we anticipate will drive higher parcel volumes, helping to drive further footfall and commissions for our retailers. We also continue to make good progress in embedding PayPoint at the heart of convenience retail, with PayPoint One now in 9,260 sites, of which 292 are taking our EPoS Pro solution. We remain on target to have PayPoint One in 12,400 sites by 31 March 2019. In the UK, we have implemented several improvements to enhance our retailers' experience when working with us, including a new interactive voice response technology. In Romania, growth continued to benefit from the Payzone acquisition and solid growth in the underlying business. The progress over the past three months underpins the Board's confidence in our strategy and our full year outlook remains in line with previous guidance."

"Following the quarter end, we had a technical incident on Saturday 21 July 2018 that impacted, at peak, approximately one-third of our retail terminal estate. During this period, customers were able to undertake services at alternative local sites during the day as we were able to continue to provide coverage across our network to 98% of households. We fully restored services during the course of the day and are confident that it was a one-off, isolated incident and we are sorry for any inconvenience that the outage caused to our retailers and their customers during the affected time."

Performance for the first quarter period ending 30 June 2018

As anticipated, **Group** net revenue reduced by £0.7 million from £28.4 million to £27.7 million reflecting the closure of Simple Payment Service (SPS) by the Department for Works and Pensions, the second-year impact of reduced Yodel parcel fees and the implementation of IFRS 15². These factors had a combined impact of £1.4 million on net revenue in the first quarter. Transactions increased to 155.6 million, an increase of 3.6% from 150.3 million achieved in Q1 last year. The strong increase of 8.4 million (43.9%) transactions in Romania was partially offset by the expected lower transaction volume in the UK of 3.1 million (2.4%).

Our retail network remains robust with 29,043 (31 March 2018: 29,114) sites in the UK and Ireland and 19,802 (31 March 2018: 20,514) in Romania as at 30 June 2018.

In the UK and Ireland like-for-like³ retail services net revenue was up 3.3% driven by service fees which increased 46.1% to £2.3 million. In the quarter our focus has been on the roll out of our flagship product, EPoS Pro, which was in 292 sites at 30 June 2018, an increase of 138 since the beginning of the financial year. Wholesaler links with NISA are now live and are in a pilot programme with Booker, with their retailers now ordering stock directly from their PayPoint One terminal. Overall, our PayPoint One terminal was in operation in 9,260 sites, an increase of 710 since the beginning of this financial year. We remain on track to reach our target of 12,400 sites by 31 March 2019.

¹ PayPoint's auditors have not been requested to review the performance.

² PayPoint adopted IFRS 15 - Revenue from contracts with customers (IFRS 15) effective from 1 April 2018. Under IFRS 15, revenue and net revenue are affected by the deferral of setup and development revenue and phasing of revenue from contracts which contain tiered pricing structures. IFRS 15 has been adopted using the cumulative effect method and as a result has not been applied to the comparative reported period presented. The impact on net revenue in the 3 months to 30 June 2018 was to defer net revenue of £0.1 million. IFRS 15 also required the deferral of costs associated to setting up clients and retailers on PayPoint's network and as such has not had a significant impact on profit before tax.

³ Like-for-like retail services net revenue excludes the £0.3 million impact from the second-year impact of reduced Yodel parcel fees.



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Card payment transactions grew by 13.8% to 27.4 million. On 13 January 2018, the government ban on all surcharges for card payments came into effect. As a consequence, the increased transaction volume was offset by reduced average transaction values which decreased from £14 to £13 resulting in a slight reduction in card payment rebate revenue. ATM transactions increased by 4.5% to 10.7 million driving an increase in ATM net revenue. Our Collect+ network was in 7,456 sites on 30 June 2018 with parcel volumes down by 17.1% reflecting a reduction in parcel volumes from our current partner, although we anticipate returning to growth once our new parcel partners begin to introduce volumes. eBay has been added as a second partner to Collect+ network and is expected to go live before Christmas.

As anticipated, net revenue in bill and general decreased by 12.8%, in large part due to the closure of the SPS scheme. However, there was a strong performance in the energy sector where net revenue increased by 3.3%. In addition, eight new clients were added during the quarter including a leading UK bank challenger, Tide, enabling consumers to manage payments to their Tide e-money accounts through a UK wide network which is larger than any high street bank. Bill and general transactions reduced by 4.8% to 72.7 million in the quarter. MultiPay volumes increased 62.8% to 5.3 million transactions.

Top-up transactions declined by 15.5% as the prepaid mobile sector continued to contract. Net revenue however, only reduced by 1.9% as average top-up values and e-Money transactions, which have a higher net revenue per transaction rate, continued to grow.

In Romania, transactions increased 43.9% from last year to reach 27.8 million and net revenue increased by 37.1%⁴ driven largely from the integration of Payzone. Organically, Romania continued to grow strongly with net revenue up by 7.0%.

Balance sheet at 30 June 2018

The group had net cash of £48.5 million (31 March: £46.0 million) including the balance held in respect of short term client settlement obligations which was £22.2 million (31 March: £27.5 million). The final ordinary dividend of 30.6 pence per share together with the additional dividend of 24.5 pence per share will be paid to shareholders on 30 July 2018.

Enquiries

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ABOUT PAYPOINT

In thousands of retail locations, at home and on the move, we make life more convenient for everyone.

For retailers, we offer innovative and time-saving technology that empowers convenience retailers in the UK and Romania to achieve higher footfall and increased spend so they can grow their businesses profitably. Our innovative retail services platform, PayPoint One, is now live in over 9,200 stores in the UK and offers everything a modern convenience store needs, from parcels and contactless card payments to EPoS and bill payment services. Our technology helps retailers to serve customers quickly, improve business efficiency and stay connected to their stores from anywhere.

We help millions of people to control their household finances, make essential payments and access in-store services, like parcel collections and drop-offs. Our UK network of 29,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide.

For clients of all sizes we provide cutting-edge payments technologies without the need for capital investment. Our seamlessly integrated multichannel payments solution, MultiPay, is a one-stop shop for customer payments. PayPoint helps over 500 consumer service providers to save time and money while making it easier for their customers to pay – via any channel and on any device.

⁴ Reported in constant currency, net revenue increased by 37.5%.